

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Date: November 10, 2020

Number: **202105015**
Release Date: 2/5/2021

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B = Program ()
C = Foreign University
D = Foreign Country
E = Individual Scholars

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code (IRC) Sections 4945(g)(1) and 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students. You also requested approval of your educational grant program.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of IRC Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in IRC Section 117(b)).

We also approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of (IRC) Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates you will operate two programs. The first program is a scholarship program under (IRC Section) 4945(g)(1). The second program is an enrichment grant program under Section 4945(g)(3).

Your purpose is to provide support to individuals pursuing programs of study at institutions of higher learning.

The purpose of your two programs is to provide financial assistance for tuition and fees, as well as reasonable and necessary living and other expenses associated with pursuing the applicable program of study, such as room and board, books, academic supplies, and travel expenses.

Program One.

Your scholarship program, called B, is currently implemented at C,

. You may also choose to provide scholarships to individuals studying at other institutions of higher learning.

The amount of each grant will be driven by the relevant program of study costs, as you reasonably determine.

The number of scholarship grants made annually will vary based upon several factors, including the number of applications received. You do not plan to establish a minimum or maximum number of annual grants; you may or may not exhaust available funding in any particular year; and, you will not necessarily offer scholarship grants each year.

You will publicize the grant program through press releases, media campaigns, outreach by and to schools and direct contact with possible grantees.

You will select qualified recipients of scholarship grants based upon scholastic ability and achievement, educational experience, leadership ability, future goals and interests, and consistency of the individual's intended program of studies with your charitable and educational purposes.

You may also elect to provide scholarship grants to all students pursuing a particular program of study at a particular institution of higher learning. You may do this if you determine that the entire class is exceptionally qualified to carry out the purposes of your scholarship grant program, based upon the group's overall scholastic ability and achievement, educational experience, leadership ability, future goals and interests and consistency of the group's program of study with your charitable purposes, and that the selection of the applicable group of students is calculated to effectuate the charitable purpose of the scholarship grant program, rather than to benefit particular persons or a particular class of persons. In such a case, if you determine that the relevant institution of higher learning has conducted an admissions process based upon objective and non-discriminatory criteria, which is substantially equivalent to your selection process, you

may elect to rely upon the process conducted by the institution of higher learning in awarding scholarship grants to the entire group of eligible grantees.

Alternatively, scholarship grants programs will be administered by one or more selection committees. Such committees would consist of your directors, officers, staff members, and E, (individuals associated with B such as current and former scholars, faculty members, lecturers and other distinguished scholars). The committee(s) will select recipients based upon scholastic ability and achievement, educational experience, leadership ability, future goals and interests, and consistency of the individual's intended program of studies with your charitable purposes.

No scholarship selection committee member will be in a position to derive a private benefit, directly or indirectly, if certain potential grantees are selected over others. Your Board of Directors will approve all grants.

You will select scholarship grant recipients based upon objective and nondiscriminatory criteria without regard to race, gender, religion, national origin, sexual orientation or ethnicity. In addition, no scholarship grant will be made to (i.) any substantial contributor of yours; (ii.) any member of your Board of Directors; (iii.) any of your officers; (iv.) any disqualified person with respect to you within the meaning IRC Section 4946; (v.) any member of the applicable Scholarship Selection Committee, or (vi.) any family members of the persons listed in (i.) through (v.) above.

You will review the results of the original scholarship before approving any renewal grant. Recipients will be required to submit, at least annually, a report describing the use of the scholarship funds and the progress the recipient has made toward achieving the scholarship purposes and an accounting for the funds they have spent. In the event a recipient fails to comply with the terms and conditions of the scholarship, you will conduct an investigation and take all reasonable and appropriate steps to recover any funds the recipient has used for an improper purpose, and the recipient will not be eligible for a renewal grant.

Where a scholarship grant includes funds for tuition and fees, you expect to make payment of that portion of the scholarship grant directly to the applicable institution of higher learning under an agreement whereby the institution will apply the grant funds only for enrolled students in good standing. Where a scholarship grant includes payment to the scholarship grant recipients (including for program of study costs other than tuition and fees), the recipient will be required to submit, at least annually, a report describing the use of the grant funds and the progress the recipient has made toward achieving the grant purposes and an accounting for the funds the recipient has spent. You may impose other requirements on scholarship grant recipients, including to share their experiences with other E individuals through written letters, mentoring activities, or similar events and appearances.

If it appears that any scholarship grant recipient has diverted grant funds for an improper purpose, you will take appropriate action, including requiring the recipient to return the scholarship grant funds and withholding further payments. You will not resume making

payments on a scholarship grant until (i.) any diverted funds are recovered or restored; (ii.) you have received the grant recipient's assurances that future diversions will not occur; and (iii.) the grant recipient has taken extraordinary precautions to prevent future diversions from occurring.

In all cases, you will maintain records relating to individual scholarship grants, including information obtained to evaluate applicants, the identity of each grantee (including any relationship to determine that the grantee is not a disqualified person of the foundation or other ineligible recipient), the amount and purpose of each scholarship grant, and all reports and other information related to the supervision, use and, if applicable, investigation of scholarship grants.

You will maintain case histories showing recipients of your scholarships, including names, addresses, purposes of awards, amount of each grant, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of such grants.

Program Two.

Your enrichment grant program will offer grants to individuals who are associated with B, including current and former recipients, faculty members, lecturers, and other distinguished scholars. Members of this group are called E. Such enrichment grants will allow grantees to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching or other similar capacity, skill, or talent. By way of example, such enrichment grants may be used for projects (and associated travel) such as attendance of conferences or similar events; conducting research; or producing written reports or similar work products.

Enrichment grants will be awarded to fund the costs associated with undertaking the applicable project, which may include an individual grantee's reasonable and necessary living expenses and other expenses directly attributable to the completion of the project.

The amount of funding for each project will vary, based on the number of applications received, each applicant's specific needs, and the nature of each project.

The number of enrichment grants made annually will vary based upon several factors, including the number of applications received. You do not plan to establish a minimum or maximum number of annual grants; you may or may not exhaust available funding in any particular year; and, you will not necessarily offer enrichment grants each year.

You will publicize the enrichment grants and solicit applications through promotional materials sent to E, including online portals.

Eligible recipients of enrichment grants will consist of individuals who are E, seeking to complete a specified enrichment project. To be considered for a grant, an eligible E applicant will provide information on his or her prior work; explain his or her proposed enrichment project; and, provide information regarding how the enrichment project will allow him or her to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching or other similar capacity, skill, or talent.

You will select recipients of enrichment grants based upon the applicant's ability and achievement; educational experience; leadership ability; future goals and interests; consistency of the applicant's intended enrichment project with your charitable purposes and program activities; projects or areas of your concern or focus; and, the project's priority in relation to other demands on your funds.

If you determine that one or several persons are exceptionally qualified to carry out the purposes of a specific enrichment grant program, or it is otherwise evident that the selection of a particular group of enrichment grant recipients is calculated to effectuate the charitable purpose of the enrichment grant program, rather than to benefit particular persons or a particular class of persons, you may impose reasonable restrictions on the group of potential grantees.

Enrichment grant selection will be administered by one or more selection committees, consisting of your directors, officers, staff members, and E. No enrichment selection committee member will be in a position to derive a private benefit, directly or indirectly, if certain potential grantees are selected over others. E who have served on an enrichment selection committee will be ineligible for enrichment grants for three years after they have served on the selection committee. The selection committee will select recipients based upon the feasibility of the enrichment project and the potential to meaningfully achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching or other similar capacity, skill, or talent. You may impose specific criteria for enrichment grants, including restricting past enrichment grant recipients from applying for additional enrichment grants. Your Board of Directors will approve all grants.

Selection of recipients will be based upon objective and non-discriminatory criteria without regard to race, gender, religion, national origin, sexual orientation or ethnicity. In addition, no enrichment grant will be made to (i.) any substantial contributor of yours; (ii.) any member of your Board of Directors; (iii.) your officers; (iv.) any disqualified person with respect to you within the meaning of IRC Section 4946; (v.) any member of the applicable enrichment selection committee; or (vi.) any family members of the persons listed in (i.) through (v.) above.

You will review the results of the original grant before approving any renewal grant. Recipients will be required to submit, at least annually, a report describing the use of the grant funds and the progress the recipient has made toward achieving the grant purposes and an accounting for the funds the recipient has spent. Recipients will be required to submit to you a copy of any work product that has been produced with your support. In

the event a recipient fails to comply with the terms and conditions of the grant, you will conduct an investigation and take all reasonable and appropriate steps to recover any funds the recipient has used for an improper purpose, and the recipient will not be eligible for a renewal grant.

You will require each enrichment grant recipient to submit an annual report (if the enrichment project timeline is longer than one year) describing the progress of the enrichment project, as well as a final report to confirm that the enrichment grant recipient has performed the activities that the enrichment grant was intended to finance. The final report will also summarize the enrichment project and will account for the grant funds expended. You may impose other requirements on enrichment grant recipients, including to share their experiences with other E through written letters, mentoring activities, or similar events and appearances.

If it appears that any enrichment grant recipient has diverted grant funds for an improper purpose, you will take appropriate action, including requiring the recipient to return the enrichment grant funds and withholding further payments. You will not resume making payments on a enrichment grant until (i.) any diverted funds are recovered or restored; (ii.) you have received the grant recipient's assurances that future diversions will not occur; and (iii.) the grant recipient has taken extraordinary precautions to prevent future diversions from occurring.

In all cases, you will maintain records relating to individual enrichment grants, including information obtained to evaluate applicants, the identity of each grantee (including any relationship to determine that the grantee is not a disqualified person of the foundation or other ineligible recipient), the amount and purpose of each enrichment grant, and all reports and other information related to the supervision, use and, if applicable, investigation of enrichment grants.

You will maintain case histories showing recipients of your grants, including names, addresses, purposes of awards, amount of each grant, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of such grants.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (IRC Section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:

- A scholarship or fellowship subject to IRC Section 117(a) and is to be used for study at an educational organization described in Section 170(b)(1)(A)(ii); or
- A prize or award subject to the provisions of Section 74(b), if the recipient of the prize or award is selected from the general public; or
- To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulation Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with IRC Section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements